

COMMITTEE ON ADMINISTRATION/INFORMATION SYSTEMS

June 3, 2003

5:30 PM

Chairman Gatsas called the meeting to order.

The Clerk called the roll.

Present: Aldermen Gatsas, Guinta, Osborne, Forest, O'Neil

Messrs: Elizabeth Graham, Mark Riley, Tom Arnold,
Kenneth DeSchuiteneer

Chairman Gatsas addressed Item 3 of the agenda:

3. Communication from Elizabeth A. Graham, Director of Government/Community Relations for Comcast, requesting an extension of the current Franchise Agreement with the City for an additional five (5) years.
(Note: Communication from Grace Sullivan relative to the contract extension is attached.)

On a motion of Alderman Guinta, duly seconded by Alderman O'Neil, it was voted to move the item for discussion.

Chairman Gatsas asked is there somebody here to present from Comcast?

Elizabeth Graham stated I am from Comcast, I am Director of Government and Community Relations and on my right is Mark Riley the VP of Government and Community and Public Affairs for Comcast. We are here to respectfully request that the Aldermen grant a five-year extension of the current Franchise with the City. We sent a draft proposal to the City Clerk's office...the City Solicitor's office on May 7th. I hope that the Committee has a copy of that draft amendment in your information, if not I have some copies here that I can provide if you folks don't have it. The draft amendment proposes a five-year extension of the term and access and technology fund available to the City of \$250,000 that would be available starting in January of next year and an agreement that those funds would not be in any way offset against the five percent franchise fee made to the City and further offers that if the proposed facility is not acquired or that the jobs are relocated out of Manchester

that we would forfeit the five-year extension and that any funds paid to the City pursuant to that access and technology fund would also be duly forfeited.

Chairman Gatsas asked the amount that you're offering for an extension is how much?

Ms. Graham replied \$250,000.

Chairman Gatsas continued and is that a passthrough to customers or is that something that Comcast is absorbing as part of doing business?

Ms. Graham answered it would be a passthrough. It would be incorporated into the rate, not separately line itemed, but it would be incorporated into the cable rate.

Chairman Gatsas stated the \$900,000 that we received seven years ago, or five years ago, I don't remember it's been so long that I thought it took us seven years to go through the contract.

Ms. Graham replied I think it's only two years ago now.

Chairman Gatsas asked two years? That's all?

Ms. Graham replied I'm sorry that was three years.

Chairman Gatsas asked can you talk to us about that \$900,000 for that ten-year contract? Was that embedded in pricing or was that part of a payment by the company as doing business?

Ms. Graham answered the provision in the license that addresses that is Section 7.3 and the language in the license is that the \$900,000 PEG access equipments would not count against franchise fees or externalize line items or passthrough to Manchester subscribers. So the agreement was that those funds would not be incorporated into the passthrough, which is part of the basic rate under federal rate regulations.

Chairman Gatsas stated I was wondering if I was concerned because some of the members of my Committee were wondering if that was truly the fact, but it took us so long to negotiate. Then I see our good attorney Peter Epstein in the crowd and I remember that that was not a passthrough to the customers. Any questions?

Alderman Guinta stated why don't we talk about why...I have a general concern. It appears the \$900,000 was a grant. We don't have a grant extension for the additional five years. Can you talk a little bit about why that decision was made not to offer an extension of the grant as well?

Mark Riley stated good afternoon, I'm Vice President of Government Affairs for Comcast here in New England. I think the critical difference really between the renewal that we are currently operating under as compared to the extension that we're seeking involves the fact that we are coming into Manchester with the presence of nearly 1,000 jobs. That really is the thing that I think makes a difference; that was not the case when we were under the other renewal license. In this instance really one of the key benefits that the City is realizing and one of the reasons that we're seeking the extension is the presence that we are proposing. We have put a good foot forward and as individuals are aware we've purchased the building. The closing has occurred. And we are now desirous of moving into the building, making the improvements, and bringing those jobs to Manchester. So really that's one of the benefits that is present today that was not present during the prior negotiations. So I think we've already provided information detailing what the economic benefit is. It's in the range of \$75 to \$80 million a year in direct and indirect benefit to the City of Manchester as a result of our filling that building out on Industrial Drive.

Chairman Gatsas stated I applaud Comcast for understanding the tax climate in New Hampshire.

Alderman Guinta asked you said that you've already signed a purchase and sale for the building?

Mr. Riley answered we closed on the building.

Alderman Guinta asked so you're moving? You're moving regardless of whether you get this extension or not?

Mr. Riley replied right now we would love to be in that building and be in that building with those jobs and it's not just a tax issue. Certainly there's a lot of variables, a lot of factors that go into a company's decision to locate in a community. We believe that locating in Manchester would make sense for a lot of reasons. Tax is just one consideration. The available employee pool is another major consideration. Geography is another major consideration. We have as the City Solicitor's office can verify received inquiries and requests from Nashua to also locate there and we would love to be in Manchester, have moved forward in buying the building in good faith trying to send the right message to the Aldermen, to the

Mayor, and to the City that we're serious about coming into Manchester and serious about bringing in hundreds and hundreds, just under 1,000, jobs.

Alderman Guinta asked how many jobs are you creating versus...? You use the number 1,000 but you're transferring some jobs. There's what 600 or 700...

Mr. Riley replied right now here's basically what we have outlined. We have about 675 jobs that we were initially interested in bringing into the City. That number is now in the 850 to 1,000 range. Out of that number there are 475 jobs that are existing jobs that people hold.

Alderman Guinta asked what do you expect to...?

Mr. Riley continued so we're talking about of 300, 400, to 500 brand new jobs. Out of the 475, how many of them will be commuting to Manchester? That I don't know. Right now we are planning somewhere in the October/November timeframe to be in the building and operational. How many of those 475 individuals who currently hold the jobs, some of whom live in northern Massachusetts, will want to commute, it is hard to say. What you are looking at, somewhere in the vicinity of 400 or more brand new jobs.

Alderman Forest stated actually this is a comment and if one of you can answer. One of our political headaches is public access TV, which is on Channel 96 now and a lot of people in the City of Manchester do not receive it. Is there anything, once you move in here, you can do about moving the channel to where everybody can access it?

Mr. Riley answered one of the things that was raised as a concern by many members of the Board is the positioning and the clarity of the channel, or lack thereof, in its current location at 96. We have reduced to writing a commitment to move it to Channel 23 and our proposal is to do that over the next 30 to 45 days.

Alderman O'Neil stated I would like to get some clarification on the jobs because the fact sheet I have indicates that there are 212 currently at 751 East Industrial Drive. Is that correct?

Ms. Graham answered correct.

Alderman O'Neil stated okay. Now the fact sheet that I have says 200 new positions, you just said there's 400 new positions. I just want to make sure that I'm clear on what that number is.

Mr. Riley replied maybe it will help if I back up a moment and explain what's going on more globally with the company. Under AT&T Broadband we had outsourced a very large percentage of our calls. One of the challenges we found by doing that, the pro in doing that, is that you can get the calls answered rather quickly by using services that are located in Arizona and Florida. To the downside, people were not familiar with the community. We are in the process, we already have gone over the last six months and we'll continue over the next 12 months, reducing our dependence upon those outsourced vendors. What we would like to do is locate those jobs here in Manchester, and reduce our partnerships with Telewest our outsource partner. So when we initially began this dialogue now back in November we were looking at somewhere in the 600 range, for total jobs in the facility. Because of that other effort that's going on within the company to reduce our outsource dependence, we're not ratcheting up the number that we would like to locate in this facility. So it's a minimum of 850 full-time positions, up to and around 1,000. In that range.

Alderman O'Neil asked that does not include the current 212 people here?

Mr. Riley answered that's correct. We are still going to continue our presence at the same levels at the existing facility.

Alderman O'Neil asked so there will be 850 transferred or new jobs created in the Manchester facility? Am I correct on that?

Mr. Riley replied the transfer is about 475 total positions transferred.

Alderman O'Neil asked and there's a possibility of 400 brand new positions?

Mr. Riley answered brand new positions.

Chairman Gatsas stated let me ask you about the...obviously what you just talked about outsourcing and that would be the complaint calls that you would have received. So what you're telling us today is that you had an outsourced product, so when somebody was calling Comcast or AT&T, that they weren't really reaching anybody that worked directly for Comcast, they were an outsource company so the delays of response...why is it that we never heard anything about that during the original negotiations of this contract? Or did AT&T have direct employees and Comcast does the outsourcing?

Mr. Riley answered no here's what the practice has been historically and what we're doing going forward. Historically we have always had as our priority calls answered by the Company, be it AT&T or Comcast. Employees of the Company answering the phone. But when you hit peak volumes, we have contractual relationships with

outsource partners to then have overflow go to them so somebody's answering the phone. Those individuals who answer the phone on an outsource basis have access to the same data, the same computers, computer networks, as our own employees do, so they can answer a billing question, add a service, delete a service, handle whatever call comes through. But what we've seen when we look at the quality of the experience and compare it, having that relationship where we plan for peaks in using outsource partners, Comcast is a strong believer that you're better off having more employees in house to handle those peaks, than to use and rely upon the outsource vendors. Because they're not receiving stock options for example in the Company. They're not part of the Company spirit if you will. There's not the same level of commitment at all times with those outsourced partners than you'll have from people who are employees of Comcast as opposed to employees of an outsource partner. So our reliance on those outsourced partners is now dwindling.

Chairman Gatsas asked in the last contract that we had, we had a punch list of things that had to be completed. Mr. Arnold do you know if all of those have been completed? So all the hook ups that were supposed to have been made in the schools that weren't hooked up, have been made?

Tom Arnold answered McLaughlin Middle School was hooked up quite recently, like within the last 60 days. It was the last remaining one, if my memory serves me correctly.

Chairman Gatsas asked it was done when?

Mr. Arnold answered about 60 days ago. Maybe a little longer.

Chairman Gatsas asked that's three years in the waiting?

Mr. Arnold replied approximately.

Alderman Guinta asked are you saying you're making your commitment today for the remainder of this contract to keep customer service people in Manchester and those people will be servicing the Manchester region and you're not going to be outsourcing. Am I understanding you correctly? Or are you still going to be outsourcing?

Mr. Riley answered what I'm saying is that we believe that the reliance upon outsourcing isn't as effective as having in house employees, and that's the direction we're moving. Any business needs the flexibility to change as customer needs change, as the business climate changes, I can't predict two years from now, five years from now, ten years from now, what the best way to service the customer is going to be. We use a variety of sources be it through the Internet, be it through live

individuals, to try and better serve the customers as well as face-to-face interaction with the customer. So how we service the customer over the next ten years or more, I can't predict.

Alderman Guinta stated well that's fair, but you're coming to us saying this is the economic impact. So you're asking us to rely on economic impact numbers, but now you're saying you can't guarantee that those same jobs will remain in existence. Unless I'm misunderstanding?

Ms. Graham replied the draft amendment that I circulated does have a provision that if we take the jobs out of Manchester that we would forfeit the five year extension, because we certainly recognize that that is a critical piece in the discussion before you that we're coming to you saying we're adding jobs and this is going to have a substantial impact on the economy and that certainly is coloring the analysis here.

Alderman Guinta stated I think two large issues in Manchester have been rate increases and customer service. I've certainly received calls from customers and I know that other Aldermen have received calls from customers, including our City Clerk's department. You know one of the things that I would hope, and it seems like you're trying to address it, but I think that a standard of excellence when it comes to customer service is essential in Manchester. We've gone through a number of companies and customer service issues that what I'm hearing from constituents they want good service, they want quality customer service, they're willing to pay a fair price, but not an excessive price, and I certainly hope that that's the commitment that Comcast is bringing to Manchester.

Mr. Riley stated you know it is, and it's not just appearing here this evening and saying well that's the way it's going to be. I think one thing that's important to note that the Aldermen would find of interest with respect to rates, we have historically as a company, as an industry, had rate adjustments each July to the equipment. We're not doing that this July. This will mean in excess of \$6 million worth of lost revenue in the calendar year 2003. We're not doing that because we have heard from individuals such as yourself, from the customer, that people are looking at competitive alternatives that they can find from satellite. I know that the Aldermen are considering competitive alternatives when it comes to wireless Internet connections here in Manchester, we're sensitive to that competitive issue. We're not taking a rate adjustment in July that we historically have taken every single year. On the customer care front, there's a reason that we're bringing those jobs in house. We think that that's going to better serve the customer.

Alderman O'Neil made a motion to recess to meet with legal counsel. Alderman Guinta duly seconded the motion.

Chairman Gatsas stated we will just go in the back room so nobody has to clear the room.

Chairman Gatsas called the meeting back to order. I think there are two major issues that are on the table. One that I believe that after consultation with the attorney that we should be looking at a five-year contract, however, something that is not going to be passed on to the rate because you've already embedded in that rate that first \$900,000 that you've paid to the City. That's already there in your rates. So rather than charging the customer an increase, those rates are there, they've been there for the last three years, so they should be able to continue for the next five. I think that there should be an opportunity that we continue this dialogue. There are other situations that we'd like to have our City Solicitor send you back in a contract so that we can continue this dialogue going forward, but I don't think that it should be anything that the rate payers in the City of Manchester have to absorb. Any other positions by this Committee?

Alderman O'Neil stated if I may Mr. Chairman, the sooner that the two parties can get together the sooner we can reach an agreement, so I would just encourage you to get together as soon as possible.

On a motion of Alderman O'Neil, duly seconded by Alderman Forest, it was voted to table this item along with sending it to the City Solicitor and for them to continue negotiations with Comcast and Attorney Peter Epstein.

Chairman Gatsas addressed Item 4 of the agenda:

Communication from Deputy Clerk Matthew Normand advising the Committee that Mr. Kenneth DeSchuiteneer, Manager of HMD Airport Service and Metro Cab, has requested a hearing to express his concerns regarding the taxicab industry in Manchester.

Kenneth DeSchuiteneer stated good evening Aldermen. I wrote a letter. I don't know if you have a copy of it.

Chairman Gatsas replied we do.

Mr. DeSchuiteneer continued and I just wanted to address some issues and it's probably more open for a discussion and I just wanted to bring it to your attention. The first issue that I'd like to address is it's getting harder and harder to find vehicles to put on the road unless I buy brand new vehicles and that's almost impossible with the revenue that we take in. And you have down, and it's my understanding from Matt Normand, that I can only use Crown Victorias, Chevy Caprices, or mini vans

as a taxi in the City of Manchester. Well what that has done, and I realize your intent and I was at the meetings along with Mike Fournier when you decided it would be a more luxurious ride, it would be safer, etc. Well what that has done is it has created actually a more, we'll say, unluxurious ride and a kind of keeping the vehicles a lot longer because I can't find them. First of all what we're using, and I think you're aware of it, mostly is old cruisers. So they've been to war and back in the meantime. Secondly, the parts to find to repair these cars are very, very, very expensive, and thirdly when we have inspections with the City Police Department and the State Police, they take them off the road because they've got 330,000 miles, 350,000 miles. We'd like to alleviate it. I have an idea for you. Let us go back and run any vehicle and put a limit of time that we can use it as a taxicab. I think it would be a lot more worthwhile for the City of Manchester. I don't like keeping my vehicles three years, I don't like having them have 300,000 miles, and I just think that through your discussions you should try to amend the situation because it really hasn't worked.

Alderman O'Neil stated well I guess that's your opinion that it hasn't worked. In my opinion it's 100 percent better than it was. You guys were running mid sized cars that were in disrepair. I can remember cars driving down the street with the small doughnut on them and cab drivers not taking the time to go get those replaced. And if you recall sir we had a number of serious incidents with cab drivers being injured and that's why the shield requirement is in there. I have seen nothing in my opinion to show that our cab system's any better than it was when we implemented these things, and I for one am not going to settle for a second rate cab system. And that's what we have right now. I can go to other cities around the country that have much better tax cab systems than we do, and I'm not going to lower our standards. If anything we should be increasing our standards here. So I for one will not support any change to the current ordinance.

Alderman Osborne asked what is the general liability that you have to carry now on cabs?

Mr. DeSchuiteneer replied \$100,000/\$300,000 I believe.

Deputy Clerk Matthew Normand interjected \$500,000.

On a motion of Alderman Guinta, duly seconded by Alderman O'Neil, it was voted to receive and file this item.

Chairman Gatsas addressed Item 5 of the agenda:

Appeal of the denial of two taxi driver's licenses.

Alderman Forest made a motion to enter into non-public session under the provisions of RSA 91-A:3 II (c). The motion was duly seconded by Alderman Guinta. By roll call it was unanimously voted by the members of the Committee to enter into non-public session. As a result of a discussion held by those present, it was the consensus of the Committee members present to grant a temporary probationary taxicab license to John Foster, and further to deny a taxicab license to Douglas Giddens based on information presented in the original application.

As discussion ensued on a motion of Alderman Guinta, duly seconded by Alderman Forest, it was voted to exit non-public session.

TABLED ITEMS

6. Presentation by Pitney Bowes and FORMAX regarding the City's mail operations.
(Note: Tabled 4/1/02 pending a report from a committee consisting of staff from the City Clerk's Office, Information Systems, Highway, EPD, Water Works and Tax.)

This item remained on the table.

There being do further business to come before the Committee, on a motion of Alderman Guinta, duly seconded by Alderman Forest, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee